

380. OTHER COSTS

- A. The cost of maintaining a chapel within the facility is allowable providing the cost is reasonable.
- B. The Program shall not reimburse for patient status evaluations which are required to be performed by any Peer Review Organization. However, the Program shall reimburse for any administrative costs associated with this function.
- C. The cost associated with facility license fees shall be allowed if proper documentation proves that the payment is a fee and not a tax.
- D. The costs associated with political contributions and legal fees for unsuccessful lawsuits filed by the provider shall be excluded from allowable cost. Legal fees relating to lawsuits against the Cabinet shall only be included as a reimbursable cost in the period in which the suit is settled after a final decision has been made that the lawsuit is successful or when otherwise agreed to by the parties involved or ordered by the court.

- E. The costs for travel and associated expenses outside the Commonwealth of Kentucky for purposes of conventions, meetings, assemblies, conferences or any related activities are not allowable costs. However, costs (excluding transportation costs) for training or educational purposes outside the Commonwealth of Kentucky (except for owners or administrators) are allowable costs. Such meetings per se are not educational; however, if educational or training components are included, the costs, exclusive of transportation, are allowable. However, travel and associated expenses outside the Commonwealth of Kentucky are not allowable for owners or administrators for any reason.
- F. The cost of corporate income tax preparation shall be an allowable cost.
- G. Stockholder maintenance or servicing costs, such as preparation of an annual report, fees for filings required by the SEC etc., are allowable costs.
- H. The cost of Board of Directors' fees are allowable, but shall be limited to five (5) meetings annually for single facility organizations and twelve (12) meetings annually

for multiple facility organizations and in addition, shall meet a test of reasonableness. Other costs associated with Board of Directors' meetings in excess of the above limitations on the number of meetings are also considered to be unallowable costs.

- I. Profits or revenues of the parent organization which are from sources not related to the provision of Nursing Facility care are not to be considered as reductions in the cost to the Program as long as the investment funds that generated these profits or revenues were not commingled with investment funds of the facility, or have been uncommingled, if necessary, and the source of the funds can be identified according to generally accepted accounting procedures.
- J. Employee leave time, if vested, is generally an allowable cost. For leave pay to be vested, there shall be no contingencies on the employee's right to demand cash payment for unused leave upon termination of employment. Facilities continue to have the option of accounting for leave on an accrual or cash basis. If a facility wishes to switch its accounting method to the accrual accounting basis, the accumulated carryover from the prior year(s)

may be expensed as utilized, in accordance with the facility's personnel rules concerning the taking of leave. Concurrent with the expensing of the carryover, current vacation earned shall be accrued.

- K. Costs resulting from anti-union activity shall be disallowed. Costs associated with union activity, unless prohibited by the NLRA, or unless the costs are unreasonable or unnecessary, shall be allowed.
- L. In accordance with KRS 216.560(4), payment of penalties shall not be made from moneys used for direct patient care nor shall the payment of penalties be a reimbursable cost under Medicaid.
- M. The costs associated with private club memberships shall be excluded from allowable costs.

385. ANCILLARY COST

- A. Reasonable cost of ancillary services provided as a part of total care are reimbursable.

Ancillary services include:

Physical therapy

Occupational therapy

Speech therapy

Laboratory procedures

X-ray

Oxygen and other related oxygen supplies

Respiratory therapy (excluding the routine administration of oxygen)

Appropriate time and cost records of therapy services shall be maintained. All contracted services shall be documented by invoices which clearly delineate charges for the service(s) provided to include but not limited to, the patient who received the service, the date the service was provided, the length of time the service required, and the person providing the service. Supplies and equipment should be itemized separately from treatments on these invoices.

- B. DIRECT ANCILLARY COSTS. The direct ancillary costs of Physical, Occupational, Speech and Respiratory Therapy include only costs of equipment used exclusively for the specified therapy service, and the salary costs, excluding fringe benefits, of qualified therapy personnel who perform the service, or persons who perform the service under the on-site supervision of qualified therapy personnel.

In order to meet the definition of qualified personnel for physical, occupational, or speech therapy, requirements set forth in Chapter 42 of the Codified Federal Register section 405.1101 shall be satisfied.

Personnel qualified for respiratory therapy direct ancillary costs purposes are either Registered Respiratory Therapists (RRTs) or Certified Respiratory Therapy Technicians (CRTTs), as recognized by the National Board for Respiratory Care, or Graduate Respiratory Care Practitioners, a graduate of an educational program accredited by the American Medical Association's Committee on Allied Health Education and Accreditation. This definition applies without regard to whether they are facility or hospital based, or are an independent contractor.

If a minimum of 20 hours per week of on-site supervision by qualified respiratory therapy personnel is provided, then the costs of all documented respiratory therapy time by other personnel, not otherwise excluded, shall be deemed to be direct ancillary cost.

The cost of providing general nursing care, including the routine administration of oxygen, or for standby services are not direct ancillary costs.

Acquisition, after December 1, 1979, of therapy equipment with a total value of \$1,000 for each asset shall have prior approval by the Department in order to be recognized as an allowable cost by the Program.

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390. UNALLOWABLE COSTS

A. COSTS EXCLUDED FROM ALLOWABLE COSTS INCLUDE.

1. Ambulance service
2. Private duty nursing
3. Luxury items or services
4. Dental services
5. Noncompetitive agreement costs
6. Cost of meals for other than patients and provider personnel
7. Dry cleaning of the patient's personal clothing
8. Drug costs classified as less than effective under the Pharmacy Billing Program
9. An allowance for a return on equity is not reimbursable.

COMMONWEALTH OF KENTUCKY
Cabinet for Human Resources
Department for Medicaid Services

KENTUCKY MEDICAL ASSISTANCE PROGRAM
NURSING FACILITY PAYMENT SYSTEM

PART IV
INTERMEDIATE CARE FACILITY/MENTALLY RETARDED

TN # 90-6
Supersedes
TN # None

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Kentucky Medical Assistance Program
Intermediate Care Facility/
Mentally Retarded

Nursing Facilities

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